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STATE OF MONTANA

MILES COMMUNITY COLLEGE
REPORT ON AUDIT

FISCAL YEARS ENDED JUNE 30, 1991 AND 1992

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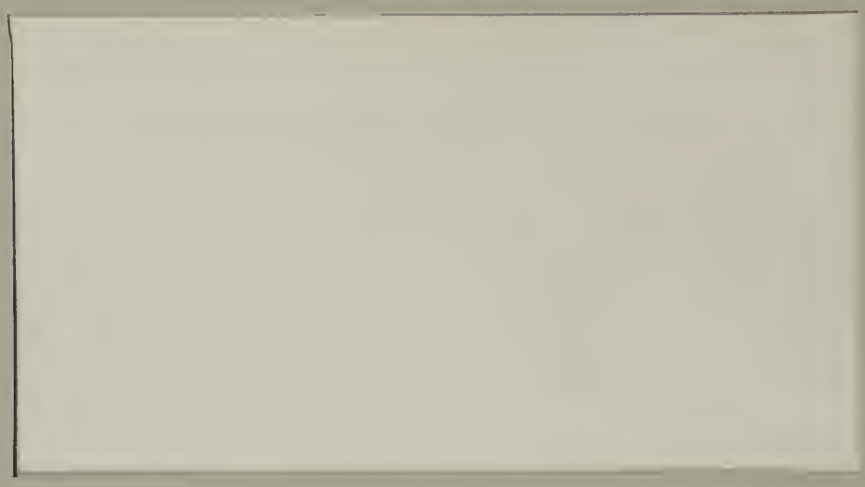

STATE OF MONTANA

MILES COMMUNITY COLLEGE
REPORT ON AUDIT

FISCAL YEARS ENDED JUNE 30, 1991 AND 1992

CONDUCTED UNDER CONTRACT BY
JAMES J. WOSEPKA
CERTIFIED PUBLIC ACCOUNTANT

BAKER, MONTANA

STATE OF MONTANA

Office of the Legislative Auditor

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HELENA, MONTANA 59620
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MARY BRYSON
Operations and EDP Audit
JAMES GILLETT
Financial-Compliance Audit
JIM PELLEGRINI
Performance Audit

November 1992

The Legislative Audit Committee
of the Montana State Legislature:

Enclosed is the report on the audit of the Miles City Community College for the two fiscal years ended June 30, 1992.

The audit was conducted by James J. Wosepka, CPA, under a contract between the firm and our office. The comments and recommendations contained in this report represent the views of the firm and not necessarily the Legislative Auditor.

The agency's written response to the report recommendations is included in the back of the audit report.

Respectfully submitted,

Scott A. Seacat
Legislative Auditor

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA

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MILES COMMUNITY COLLEGE
MILES CITY, MONTANA

APPOINTIVE AND ADMINISTRATIVE OFFICIALS

MONTANA BOARD OF REGENTS OF HIGHER EDUCATION

STAN STEPHENS	GOVERNOR
JOHN HUTCHINSON	COMMISSIONER OF HIGHER EDUCATION
NANCY KEENAN	SUPERINTENDENT OF PUBLIC INSTRUCTION
WILLIAM L. MATHERS	CHAIRMAN
PAUL BOYLAN	VICE-CHAIRMAN
KERMIT R. SCHWANKE	
THOMAS F. TOPEL	
CORDELL JOHNSON	
JAMES KAZE	

MILES COMMUNITY COLLEGE BOARD OF TRUSTEES

JAMES P. LUCAS
PAUL MOTTRAM
EILEEN CARLSON
SHARON W. WILCOX
KEN BOWAR
MILTON BENGE
MARSHALL GARDNER

ADMINISTRATION

JUDSON H. FLOWER	PRESIDENT
GEORGE E. BELL	DEAN OF INSTRUCTIONAL SERVICES
W. WAYNE MURI	BUSINESS MANAGER
DALE E. OBERLANDER	DEAN OF STUDENT SERVICES
FRED MCKEE	DIRECTOR OF PLANNING AND DEVELOPMENT

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA

GENERAL

I performed a financial/compliance audit of the Miles Community College for the fiscal years ended June 30, 1991 and 1992. The objectives of my audit were to: (1) determine if the financial statements of the college present fairly its financial position and results of operations for the fiscal years then ended; (2) determine if the college complied with applicable state and federal laws and regulations; (3) make recommendations for the improvement of management and internal controls; and (4) determine whether prior audit recommendations have been effectively implemented.

I thank the Miles Community College staff for their cooperation and assistance during my audit.

BACKGROUND

Miles Community College at Miles City, Montana was founded in 1939 under authority of legislation enacted by the Montana Legislative Assembly earlier that same year. For almost twenty years the college, then titled Custer County Junior College, operated out of a few rooms in the local public high school. In 1957 the college moved into the former Milwaukee RR Depot Building. The new building is located on the present campus site.

A resolution passed by the joint College-High School Board in January, 1970, established an independent junior college district. On April 4, 1970, voters of the district elected the first independent Board of Trustees for the college. During academic year 1971-72 the college purchased a Vo-Tech Building adjacent to the campus, and completed construction of a new Student Center.

In December 1971, Miles Community College was granted full accreditation by the Northwest Association of Schools and Colleges. The fifth year review by the Northwest Association continued the full accreditation of the College and reaffirmed the quality of the program, thereby insuring the easy transfer of credits to other colleges.

A grant of 1.5 million dollars from Montana Coal Board in 1977 enabled the College to construct a new vocational building and library-classroom addition.

BACKGROUND - CONTINUED

Construction of a physical recreation complex was completed in November, 1980. This facility includes a large gymnasium, four racquetball-handball courts, and an exercise deck with weight machines.

The college has access to a 46-unit co-ed dormitory which was ready for occupancy in the Fall of 1981.

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA

RECOMMENDATIONS

Inventory of Property, Plant and Equipment

The college does not conduct an annual inventory of property, plant and equipment. Retirements of equipment are not recorded and there is no formal procedure for handling retirements.

Recommendation #1

I recommend the college:

A. Reconcile the subsidiary ledger of property, plant and equipment to the Investment in Plant Fund.

B. Establish a formal procedure for the approval and recording of sale, loss or abandonment of property, plant and equipment.

College Response: Concur

Delinquency Rate Exceeds 5% in NSL Program

The college is no longer making loans under the NSL Program, however, the delinquency rate is still in excess of 5% allowed by HHS guidelines.

Recommendation #2

I recommend the college continue its collection efforts to reduce the delinquency rate.

College Response: Concur

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA

FTE COUNTS

A major funding criterion for the College is the number of full-time equivalent (FTE) students registered. FTE's are computed in accordance with guidelines published by the Commissioner of Higher Education. I reviewed the FTE counts reported by the College for fiscal years 1990-1991 and 1991-1992 for compliance with published guidelines and accuracy. I found no exceptions at the Miles Community College (see Student Full-Time Equivalent, page 28).

PRIOR AUDIT RECOMMENDATIONS

The audit of fiscal years ended June 30, 1989 and 1990 of the Miles Community College contained two recommendations. The some two recommendations are repeated as part of current year recommendations.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE GENERAL REQUIREMENTS APPLICABLE TO MAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS

Legislative Audit Committee
of the Montana State Legislature

I have applied procedures to test Miles Community College, Miles City, Montana, compliance with the following requirements applicable to each of its major federal financial assistance programs, which are identified in the schedule of federal financial assistance, for the years ended June 30, 1991 and 1992. Applicable general requirements are as follows:

Political Activity
Civil Rights
Cash Management
Federal Financial Reports

My procedures were limited to the applicable procedures described in the Office of Management and Budget's "Compliance Supplement for Single Audits of State and Local Governments". My procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on Miles Community College compliance with the requirements listed in the preceding paragraph. Accordingly, I do not express such an opinion.

With respect to items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the first paragraph of this report. With respect to items not tested, nothing came to my attention that caused me to believe that Miles Community College, had not complied, in all material respects, with those requirements. Also, the results of my procedures did not disclose immaterial instances of noncompliance with those requirements.

This report is intended for the information of the audit committee, management, and the cognizant audit agency. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

James J. Wosepka

September 10, 1992
Baker, Montana

LICENSED IN NORTH DAKOTA AND MONTANA

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH SPECIFIC REQUIREMENTS APPLICABLE TO MAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS

Legislative Audit Committee
of the Montana State Legislature

I have audited Miles Community College, Miles City, Montana, compliance with the requirements governing types of services allowed or unallowed; eligibility; matching level of effort, or earmarking; reporting; claims for advances and reimbursements; and amounts claimed or used for matching that are applicable to each of its major federal financial assistance programs, which are identified in the accompanying schedule for federal financial assistance of the years ended June 30, 1991 and 1992. The management of Miles Community College is responsible for the Miles Community College compliance with those requirements. My responsibility is to express an opinion on compliance with those requirements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and Office of Management and Budget Circular A-133. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred.

An audit includes examining on a test basis, evidence about Miles Community College, compliance with those requirements. I believe that my audit provides a reasonable basis for my opinion.

The results of my audit procedures did not disclose any immaterial instances of noncompliance with the requirements referred to above.

In my opinion, Miles Community College, Miles City, Montana, complied, in all material respects, with the requirements governing level of effort, or earmarking; reporting; claims for advances and reimbursements; and amounts claimed or used for matching that are applicable to each of its major federal financial assistance programs for the years ended June 30, 1991 and 1992.

James J. Wosepka

September 10, 1992
Baker, Montana

INDEPENDENT AUDITOR'S REPORT

AND

FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

Legislative Audit Committee
of the Montana State Legislature:

I have audited the accompanying financial statements of Miles Community College as of and for the years ended June 30, 1991 and 1992 as listed in the table of contents. The financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards and government auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Miles Community College as of June 30, 1991 and 1992, and the results of its operations for the years then ended in conformity with generally accepted accounting principles.

My examination was made for the purpose of forming an opinion on the financial statements taken as a whole. The information included in the supplementary schedules is presented for purpose of additional analysis and is not a required part of the financial statements. The information has been subjected to the auditing procedures applied in the examinations of the financial statements of Miles Community College, and in my opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

James J. Wosepka

September 10, 1992
Baker, Montana

LICENSED IN NORTH DAKOTA AND MONTANA

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA
BALANCE SHEET
JUNE 30, 1991

	CURRENT FUNDS					PLANT FUNDS		
	UNRESTRICTED GENERAL OPERATING	RESTRICTED	AUXILIARY FUNDS	STUDENT LOAN FUNDS	AGENCY FUNDS	RENEWAL AND REPLACEMENT	RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT
ASSETS:								
Cash on Hand & in Bank	$ 4,300	$	$ 670	$ 12,369	$	$	$	$
Cash on Deposits with County Treaurer	266,898	24,907	(52,589)	(7,994)	10,174	3,000	(44,630)	
Receivables:								
Taxes Receivable	94,558							
Grant Receivable		3,638						
Student Loan Rec.				85,994				
Accts Receivable	5,157	16,836	773					
Total Receivables	99,715	20,474	773	85,994				
Prepaid Expenses	11,067							
Inventories			75,300					
Property, Plant Equipment:								
Land								204,298
Buildings and Improvements								4,013,048
Equipment/Library Books								1,680,309
Total Property, Plant & Equipment								5,897,655
Total Assets	$ 381,980	$ 45,381	$ 24,154	$ 90,369	$ 10,174	$ 3,000	$(44,630)	$5,897,655

See Notes to Financial Statements

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA
BALANCE SHEET
JUNE 30, 1991

LIABILITIES AND FUND BALANCES:

	CURRENT FUNDS					PLANT FUNDS		
	UNRESTRICTED GENERAL OPERATING	RESTRICTED	AUXILIARY FUNDS	STUDENT LOAN FUNDS	AGENCY FUNDS	RENEWAL AND REPLACEMENT	RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT
Liabilities:								
Accounts Payable and Accrued Liabilities	$ 55,912	$ 15,468	$ 5,318	$	$	$	$	$
Compensated Absences	99,949							
Accrued Bond Interest Payable								
Other Liabilities and Deposits					10,174			
Unearned Revenues	11,674							
Mortgage Payable								579,757
Total Liabilities	167,535	15,468	5,318		10,174			579,757
Fund Balances	214,445	29,913	18,836	90,369		3,000	(44,630)	5,317,898
Total Liabilities and Fund Balances	$381,980	$ 45,381	$ 24,154	$ 90,369	$ 10,174	$ 3,000	$(44,630)	$5,897,655

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 1991

	CURRENT FUNDS				PLANT FUNDS		
	UNRESTRICTED GENERAL OPERATING	RESTRICTED	AUXILIARY FUNDS	STUDENT LOAN FUNDS	RENEWAL AND REPLACEMENT	RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT
REVENUES & OTHER ADDITIONS:							
Unrestricted Fund Revenues	$ 1,856,148	$ 1,237,147	$ 278,845	$	$	$	$
Restricted Student Fees						32,322	
Private Capital Contributions							180,000
Investment Income				362			
Interest on Loans				1,619			
Expended For Plant Facilities							177,000
Retirement of Indebtness							13,081
Total Revenues and Other Additions	1,856,148	1,237,147	278,845	1,981		32,322	370,081
EXPENDITURES & OTHER DEDUCTIONS:							
Educational and General Expenditures	1,760,708	1,248,766			4,602		
Auxiliary Enterprise Expenditures			345,840				
Administrative Expenditures				2,535			
Retirement of Plant Assets							59,560
Retirement of Indebtness						13,081	

	CURRENT FUNDS				PLANT FUNDS		
	UNRESTRICTED GENERAL OPERATING	RESTRICTED	AUXILIARY FUNDS	STUDENT LOAN FUNDS	RENEWAL AND REPLACEMENT	RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT
Interest on Indebtness						4,486	
Total Expenditures & Other Deductions	1,760,708	1,248,766	345,840	2,535	4,602	17,567	59,560
TRANSFERS AMONG FUNDS - ADDITIONS (DEDUCTIONS):							
Voluntary Transfers	(67,227)	16,761	51,209		2,456		
Total Transfers	(67,227)	16,761	51,209		2,456		
Net Increase (Decrease) in Fund Balance	28,213	5,142	(15,786)	(554)	(2,146)	14,755	310,521
Fund Balance, Beginning of year	186,232	24,771	34,622	90,923	5,146	(59,385)	5,007,377
Fund Balance, End of Year	$ 214,445	$ 29,913	$ 18,836	$ 90,369	$ 3,000	$(44,630)	$ 5,317,898
FUND BALANCES CONSISTS OF:							
Unrestricted	$ 214,445	$	$ 18,836	$ 6,835	$	$	$
College Contribution				16,114			
Federal Contribution				101,845			
Non-Capitol Deficit				(34,425)			
Restricted		29,913			3,000	(44,630)	
Net Investment in Plant							5,317,898
Total Fund Balances	$ 214,445	$ 29,913	$ 18,836	$ 90,369	$ 3,000	$(44,630)	$ 5,317,898

See Notes to Financial Statements

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA

STATEMENT OF CURRENT FUNDS, REVENUE,
EXPENDITURES AND OTHER CHANGES
FOR THE YEAR ENDED JUNE 30, 1991

	UNRESTRICTED GENERAL OPERATING FUNDS	RESTRICTED FUNDS	AUXILIARY FUNDS
REVENUES:			
Tuition & Fees	$ 253,628	$ 7,277	$ 24,242
State Appropriations	758,388		
County Tax Levy	724,161		
Federal Grants & Contracts		1,074,081	
State Grants & Contracts		119,254	
Private Grants & Contracts	20,000	29,179	
Other	99,971	7,356	254,603
Total Revenues	1,856,148	1,237,147	278,845
EXPENDITURES:			
Instructional	752,042	116,714	
Academic Support	198,473	536,391	
Student Service, Aid & Support	252,773	595,661	
Operation & Maintenance of Plant	261,407		
Instructional Support	259,656		
Public Service	36,357		
Auxilary Enterprises			345,840
Total Expenditures	1,760,708	1,248,766	345,840
TRANSFERS, INCREASE (DECREASE):			
Voluntary Transfers	(67,227)	16,761	51,209
Net Increase (Decrease) in Fund Balance	$ 28,213	$ 5,142	$(15,786)

See Notes to Financial Statements

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA
BALANCE SHEET
JUNE 30, 1992

ASSETS:	CURRENT FUNDS					PLANT FUNDS		
	UNRESTRICTED GENERAL OPERATING	RESTRICTED	AUXILIARY FUNDS	STUDENT LOAN FUNDS	AGENCY FUNDS	RENEWAL AND REPLACEMENT	RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT
Cash on Hand & in Bank	$ 2,300	$	$ 1,170	$ 7,612	$	$	$	$
Cash on Deposits with County Treaurer	261,150	(2,816)	(5,291)	457	16,580	78,754	(25,171)	
Receivables:								
Taxes Receivable	94,018							
Grant Receivable		29,569						
Student Loan Rec.				83,448				
Accts Receivable	38,410	4,418	1,310					
Total Receivables	132,428	33,987	1,310	83,448				
Prepaid Expenses	11,067							
Inventories			67,628					
Property, Plant Equipment:								
Land								204,298
Buildings and Improvements								4,202,763
Equipment/Library Books								1,710,380
Total Property, Plant & Equipment								6,117,441
Total Assets	$ 406,945	$ 31,171	$ 64,817	$ 91,517	$ 16,580	$ 78,754	$(25,171)	$6,117,441

See Notes to Financial Statements

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA
BALANCE SHEET
JUNE 30, 1992

LIABILITIES AND FUND BALANCES

	CURRENT FUNDS					PLANT FUNDS		
	UNRESTRICTED GENERAL OPERATING	RESTRICTED	AUXILIARY FUNDS	STUDENT LOAN FUNDS	AGENCY FUNDS	RENEWAL AND REPLACEMENT	RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT
Liabilities:								
Accounts Payable and Accrued Liabilities	$ 62,875	$ 27,059	$ 5,868	$	$	$	$	$
Compensated Absences	121,002							
Accrued Bond Interest Payable								
Other Liabilities and Deposits					16,580			
Unearned Revenues	40,197	4,820						
Mortgage Payable								564,893
Total Liabilities	224,074	31,879	5,868		16,580			564,893
Fund Balances	182,871	(708)	58,949	91,517		78,754	(25,171)	5,552,548
Total Liabilities and Fund Balances	$406,945	$ 31,171	$ 64,817	$ 91,517	$ 16,580	$ 78,754	$(25,171)	$6,117,441

See Notes to Financial Statements

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 1992

	CURRENT FUNDS				PLANT FUNDS		
	UNRESTRICTED GENERAL OPERATING	RESTRICTED	AUXILIARY FUNDS	STUDENT LOAN FUNDS	RENEWAL AND REPLACEMENT	RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT
REVENUES & OTHER ADDITIONS:							
Unrestricted Fund Revenues	$ 2,082,397	$ 1,426,847	$ 351,656	$	$ 753	$	$
Restricted Student Fees						38,657	
Insurance Proceeds					101,408		
Investment Income				285			
Interest on Loans				993			
Expended For Plant Facilities							219,786
Retirement of Indebtness							14,864
Total Revenues and Other Additions	2,082,397	1,426,847	351,656	1,278	102,161	38,657	234,650
EXPENDITURES & OTHER DEDUCTIONS:							
Educational and General Expenditure	2,032,803	1,487,876			26,407		
Auxiliary Enterprise Expenditures			369,804				
Administrative Expenditures				130			
Retirement of Indebtness						14,864	

	CURRENT FUNDS				PLANT FUNDS		
	UNRESTRICTED GENERAL OPERATING	RESTRICTED	AUXILIARY FUNDS	STUDENT LOAN FUNDS	RENEWAL AND REPLACEMENT	RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT
Interest on Indebtness						4,334	
Total Expenditures & Other Deductions	2,032,803	1,487,876	369,804	130	26,407	19,198	
TRANSFERS AMONG FUNDS - ADDITIONS (DEDUCTIONS):							
For Retirement of Indebtness							
Voluntary Transfers	(81,168)	30,408	58,261				
Total Transfers	(81,168)	30,408	58,261				
Net Increase (Decrease) in Fund Balance	(31,574)	(30,621)	40,113	1,148	75,754	19,459	234,650
Fund Balance, Beginning of year	214,445	29,913	18,836	90,369	3,000	(44,630)	5,317,898
Fund Balance, End of Year	$ 182,871	$(708)	$ 58,949	$ 91,517	$ 78,754	$(25,171)	$ 5,552,548
FUND BALANCES CONSISTS OF:							
Unrestricted	$ 182,871	$	$ 58,949	$ 7,087	$	$	$
College Contribution				16,113			
Federal Contribution				101,844			
Non-Capitol Deficit				(33,527)			
Restricted		(708)			78,754	(25,171)	
Net Investment in Plant							5,552,548
Total Fund Balances	$ 182,871	$(708)	$ 58,949	$ 91,517	$ 78,754	$(25,171)	$ 5,552,548

See Notes to Financial Statements

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA

STATEMENT OF CURRENT FUNDS, REVENUE,
EXPENDITURES AND OTHER CHANGES
FOR THE YEAR ENDED JUNE 30, 1992

	UNRESTRICTED GENERAL OPERATING FUNDS	RESTRICTED FUNDS	AUXILIARY FUNDS
REVENUES:			
Tuition & Fees	$ 358,916	$ 10,913	$ 28,994
State Appropriations	927,042		
County Tax Levy	677,065		
Federal Grants & Contracts		1,216,647	
State Grants & Contracts		123,354	
Private Grants & Contracts		56,711	
Other	119,374	4,001	322,662
Total Revenues	2,082,397	1,411,626	351,656
EXPENDITURES:			
Instructional	902,793	117,224	
Academic Support	245,392	614,033	
Student Service, Aid & Support	295,901	756,619	
Operation & Maintenance of Plant	326,104		
Instructional Support	221,733		
Public Service	40,880		
Auxilary Enterprises			369,804
Total Expenditures	2,032,803	1,487,876	369,804
TRANSFERS, INCREASE (DECREASE):			
Voluntary Transfers	(81,168)	30,408	58,261
Net Increase (Decrease) in Fund Balance	$(31,574)	$(45,842)	$ 40,113

See Notes to Financial Statements

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA
STATEMENTS OF CASH FLOW OF AUXILIARY FUNDS
FOR THE YEARS ENDED JUNE 30, 1991 AND 1992

	1991	1992
Cash Flow From Operating Activities:		
Net Loss	$(66,995)	$(18,148)
Adjustments to Reconcile Net Loss to Net Cash Provided by Operating Activities:		
(Increase) Decrease in Accounts Receivable	4,485	(537)
(Increase) Decrease in Inventories	(43,176)	7,672
Increase (Decrease) in Accounts Payable	761	550
Net Cash Provided for (Used by) Operations	(37,930)	7,685
Cash Transferred From Other Funds	51,209	58,261
Net (Decrease) in Cash	(53,716)	47,798
Cash at Beginning of Year	1,797	(51,919)
Cash at End of Year	$(51,919)	$(4,121)

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1991 AND 1992

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Financial Statements

The financial statements have been prepared on the accrual basis in accordance with generally accepted accounting principles for colleges and universities.

The statements of current funds, revenues, expenditures and other changes are statements of financial activities of current funds related to the current reporting periods and do not purport to present the results of operations or the net income or loss for the periods.

Fund Accounting

The accounts of the college are maintained in accordance with the principles of fund accounting wherein resources are classified for accounting purposes into funds that are identified by the limitations and restrictions placed on their use.

Separate accounts are maintained for each fund, however, accounts with common characteristics are combined into fund groups and reflected as such in the accompanying financial statements.

The common characteristics of the funds contained in the various groups are as follows:

Current Funds:

The current funds group includes economic resources expendable in performing the primary objectives of the college, i.e., instruction and public service. The current funds group have two basic distinct subgroups: unrestricted funds which have no expenditure restrictions and restricted funds which have expenditure restrictions. Unrestricted current funds are comprised of the following:

Unrestricted - utilized for general operations in performing the primary objectives of the college.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

Restricted - utilized for the operations of the college but limited by donors and other external agencies to specific purposes, programs or departments.

Auxiliary Enterprises - utilized in providing essential on-campus services primary to students, faculty and staff (self-supporting).

Student Loan Funds

The resources from this group of funds are available to students to aid in financing their education. Funds for the loans are provided by private and college sources with the majority of the funds being provided by the federal government.

Plant Funds

Plant funds are separated into three distinct self-balancing subgroup accounts:

Renewal and Replacement - utilized for maintenance of institutional assets.

Retirement of Indebtedness - utilized for debt servicing and retirement of indebtedness.

Investment in Plant - denotes the cost of long-term institutional assets and related liabilities and equity.

Inventories

Inventories, which consist mainly of bookstore supplies, are valued at cost (first-in/first-out method).

Investments

Substantially all cash of the College is administered through the Custer County Treasurer's office. The College entered into an agreement with Custer County to have cash on deposit invested under the County's repurchase agreement.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

The College's agreement with the County requires the County to make distributions of interest income to Miles Community College monthly, based on the end of the month cash balance of the College. The College is required to pay an administrative fee to the County in the amount of three percent of the interest income received.

Plant and Equipment

Physical plant and equipment are stated at cost at date of acquisition. Depreciation on physical plant and equipment is not recorded.

Unearned Tuition and Fees

Summer school tuition and fees revenues and related expenses are deferred at June 30, and recorded as revenues and expenses in the succeeding fiscal years.

NOTE 2 - MORTGAGES PAYABLE

Notes payable consists of:

	1991	1992
Interest free note payable to Miles Community College Endowment payable with 1/3 of the P.E. Building Fees collected, until the College has eliminated it's deficit in it's Plant Retirement Fund, at which time all Fees will go toward payment of the debt. Estimated annual payment of $8,000 through 1994, then $24,000 through 2012.	$ 433,957	$ 424,293
3% mortgage payable to the Department of Housing and Urban Development, due in semi-annual payments, ranging from $1,700 to $4,500, plus interest, to July 2012, secured by real estate.	145,800	140,600
	$ 579,757	$ 564,893

NOTE 2 - MORTGAGE PAYABLE - CONTINUED:

Notes payable maturities are as follows:

1993	$ 13,200
1994	$ 13,400
1995	29,600
1996	29,800
1997	29,800
1998-2002	152,000
2003-2007	157,800
2008-2012	139,293
	$ 564,893

NOTE 3 - RETIREMENT PLANS

Full time employees of the Miles Community College are all members of the Public Employees' Retirement System (PERS) or Teachers' Retirement System (TRS). Only faculty and staff with contracts under the authority of the Board of Regents may elect the TRS.

TRS - This mandatory system established in 1937 and governed by Title 19, Chapter 4, MCA, provides retirement services to all persons employed as teachers or professional staff of any public elementary or secondary school, vocational-technical center or unit of the University System. Eligibility is met with a minimum of 25 years of service or age 60 with 5 years of creditable service. The formula for accrual benefits is 1/60 times creditable service times the average final compensation. Rights are vested after 5 years of creditable service. Vested employees may retire at or after age 50 and receive reduced retirement benefits.

PERS - This mandatory system established in 1945 and governed by Title 19, Chapter 3, MCA, provides retirement services to substantially all public employees. Benefit eligibility is age 60 with at least 5 years of service; age 65 regardless of service; or 30 years of service regardless of age. Actuarially reduced benefits may be taken with 25 years of service or at age 50 with at least 5 years of service. Beginning January 1, 1989, monthly retirement benefits are determined by taking 1/56 times the number of years of service times the final average salary. Members rights become vested after 5 years of service.

NOTE 3 - RETIREMENT PLANS - CONTINUED:

	PERS		TRS	
	1991	1992	1991	1992
Covered Payroll	$ 378,207	$ 435,898	$ 911,700	$ 1,058,100
Employer Contribution	24,269	27,972	68,004	78,924
Percent of Covered Payroll	6.417%	6.417%	7.459%	7.459%

NOTE 4 - COMPENSATED ABSENCES

The college accounts for unused vacation and sick leave in accordance with the Statement of Financial Accounting Standards No. 43, Accounting for Compensated Absences. Permanent employees can accumulate and carry to the following calendar year two times the maximum number of vacation days earned annually. Unused vacation leave is paid at full value to employees upon termination. Upon termination, unused sick leave earned is paid to the employee at 25% of value.

NOTE 5 - CONTINGENT LIABILITY - RELATED PARTY TRANSACTION

The Board of Trustees of the College signed a note payable to Miles Community College Endowment Corporation, of 1/3 of the P.E. Building Fee collected until the current deficit in the plant fund for the CENTRA Building debt retirement is eliminated. The fee collected is $1.50 per credit hour on a maximum of 12 hours. The deficit in the CENTRA Building debt retirement fund as of June 30, 1992 was $ 30,185.

The Miles Community College Endowment Corporation is a separate corporation formed to promote Miles Community College.

A building owned by the College is subject to a lien. The party that donated the building is making the payment that will end in 2005.

* * * * * * * * * * * * * * * * * *

SUPPLEMENTAL SCHEDULES

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INDEPENDENT AUDITOR'S REPORT ON SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

Legislative Audit Committee of the
Montana State Legislature

I have audited the financial statements of Miles Community College, for the years ended June 30, 1991 and 1992, and have issued my report thereon dated September 10, 1992. These financial statements are the responsibility of Miles Community College management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit in accordance with these standards includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

My audit was made for the purpose of forming an opinion on the financial statements of Miles Community College, taken as a whole. The accompanying schedule of federal financial assistance is presented for purposes of additional analysis and is not a required part of the financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

James J. Wosepka

Baker, Montana
September 10, 1992

LICENSED IN NORTH DAKOTA AND MONTANA

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
FOR YEARS ENDED JUNE 30, 1991 AND 1992

		1991	1992
DIRECT -			
DEPARTMENT OF EDUCATION -			
84.033	College Work-Study Program	$ 12,814	$ 11,675
84.007	Supplemental Educational Opportunity Grant Program	25,463	26,458
84.063	Pell Grant Program	503,961	626,187
84.999	Title III - Strengthening	390,964	341,987
84.999	Title VIII - Coop Education	21,855	
84.999	Title II - Retired Senior Volunteers	18,257	19,018
	Total Direct	973,314	1,025,325
IN DIRECT -			
DEPARTMENT OF EDUCATION -			
STATE OFFICE OF PUBLIC INSTRUCTION -			
84.002	Adult Basic Education	16,946	27,722
84.999	Faculty Revitalization	9,340	
84.999	Job Seeking Single Parents	17,695	
84.999	Job Seeking Displaced Adults	12,327	
	Total Office of Public Instruction	56,308	27,722
STATE COMMISSIONER OF HIGHER EDUCATION -			
84.069	SSIG	7,680	10,213
84.999	First Time Job Seekers	18,831	22,269
84.999	Miles City Local		70,614
	Total Commissioner of Higher Education	26,511	103,096
	Total Department of Education	1,056,133	1,156,143
DEPARTMENT OF HEALTH AND HUMAN SERVICE -			
STATE OFFICE OF SOCIAL REHABILITATIVE SERVICES -			
13.999	Jobs - Custer County		20,326
13.999	Jobs - Custer County Unemployed Parents		12,053
13.999	Jobs - Rosebud County		7,904
13.999	Jobs - Rosebud County Unemployed Parents		5,122
	Total Department of Health and Human Services		45,405
DEPARTMENT OF LABOR -			
Dawson Community College -			
17.246	Job Training Partnership Act 8%	11,023	
State Office of Public Instruction -			
17.246	Job Training Partnership Act 8%		14,272
	Total Department of Labor	11,023	14,272
	Total In Direct	93,842	190,495
		$ 1,067,156	$ 1,215,820

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA

STUDENT FINANCIAL AID MODIFIED STATEMENT
OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED JUNE 30, 1991

	Pell	Perkins	CWS	SEOG
Beginning Cash Balance	$	$ 8,466	$	$
Additions:				
Federal Advances	503,961		12,814	25,463
Institution Matching Funds			5,370	80
State Matching Funds				2,749
Interested Collected		762		
Interest Investment		321		
Reimbursement of Cancelled Loans				
Principal Collected		7,593		
Transfers Between Programs				
Total Additions	503,961	8,676	18,184	28,293
Deductions:				
Distribution to Students	503,283	14,034	17,900	28,293
Administrative Expenses		1,484		
Transfers Between Programs				
Total Deductions	503,283	15,518	17,900	28,293
Net Change in Cash	68	(6,842)	284	
Ending Cash Balance	$ 68	$ 1,624	$ 284	$

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA

STUDENT FINANCIAL AID MODIFIED STATEMENT
OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED JUNE 30, 1992

	Pell	Perkins	CWS	SEOG
Beginning Cash Balance	$ 68	$ 1,624	$ 284	$
Additions:				
Federal Advances	626,187		11,675	26,458
Institution Matching Funds			4,561	409
State Matching Funds				4,294
Interested Collected		709		
Interest Investment		255		
Reimbursement of Cancelled Loans				
Principal Collected		6,098		
Transfers Between Programs				189
Total Additions	626,187	7,062	16,236	31,350
Deductions:				
Distribution to Students	626,255	2,054	15,177	31,350
Administrative Expenses		25		
Transfers Between Programs			189	
Total Deductions	626,255	2,079	15,366	31,350
Net Change in Cash	(68)	4,983	870	
Ending Cash Balance	$	$ 6,607	$ 1,154	$

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA

SCHEDULE OF EXPENDITURES
FOR EACH STUDENT FINANCIAL ASSISTANCE PROGRAM
FOR THE YEARS ENDED JUNE 30, 1991 AND 1992

	1991	1992
Perkins Loan Program -		
Student Loan Advances	$ 14,034	$ 2,054
Collection Costs	460	
Administrative Costs	170	25
Loan Cancellation	2,000	
	$ 16,664	$ 2,079
College Work-Study Program -		
Regular CWS Wages	$ 17,900	$ 15,205
Transfer Between Programs		189
	$ 17,900	$ 15,394
Supplemental Educational Opportunity Grant Program -		
Student Grants	$ 28,292	$ 31,350
Pell Grant Program -		
Student Grants	$ 503,351	$ 626,237

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA

SCHEDULE OF ENROLLMENT STATISTICS
FOR THE YEARS ENDED JUNE 30, 1991 AND 1992

QUARTER	FULL-TIME EQUIVALENT
Summer, 1990	33.0
Fall, 1990	447.5
Winter, 1991	480.6
Spring, 1991	468.8
Summer, 1991	41.3
SEMESTER	
Fall, 1991	530.6
Spring, 1992	556.1

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SINGLE AUDIT COMBINED INDEPENDENT AUDIT REPORT ON INTERNAL CONTROL STRUCTURE

I have audited the general-purpose financial statements of Miles Community College, Miles City, Montana as of and for the years ended June 30, 1991 and 1992, and have issued my report thereon dated September 10, 1992. I have also audited Miles Community College's compliance with requirements applicable to major federal financial assistance programs and have issued my report thereon dated September 10, 1992.

I conducted my audits in accordance with generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Circular A-133. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement and about whether Miles Community College, Miles City, Montana complied with laws and regulations, noncompliance with which would be material to major federal financial assistance program.

In planning and performing my audits for the years ended June 30, 1991 and 1992, I considered the College's internal control structure in order to determine my auditing procedures for the purpose of expressing my opinions on the College's financial statements and on its compliance with requirements applicable to major federal financial assistance programs and not to provide assurance on the internal control structure.

The management of Miles Community College, Miles City, Montana is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general-purpose financial statements in accordance with generally accepted accounting principles, and that federal financial assistance programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies

and procedures may deteriorate.

For the purpose of this report, I have classified the significant internal control structure policies and procedures in the following categories:

Activity Cycles
- Revenue/receipts
- Purchases/disbursements
- Payroll/personnel

Specific Requirements
- Cash and cash equivalents
- Receivables
- Inventory
- Property and equipment
- Payables and accrued liabilities
- Debt
- Fund balance

Accounting Applications
- Billings
- Receivables
- Cash receipts
- Purchasing and receiving
- Accounts payable
- Cash disbursements
- Payroll
- Inventory control
- Property and equipment.
- General ledger

General Requirements
- Political activity
- Davis-Bacon Act
- Civil Rights
- Cash management
- Federal financial reports
- Allowable costs/cost principles
- Drug-free workplace
- Administration requirements

Specific Requirements
- Types of services
- Eligibility
- Matching, level of effort, or earmarking
- Reporting
- Cost allocation
- Special requirements, if any

Claims for Advances and Reimbursements

Amounts Claimed or Used for Matching

For all of the internal control structure categories listed above, I obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and I assessed control risk.

During the year ended June 30, 1991 and 1992, Miles Community College, Miles City, Montana, expended 60% and 80% respectively of its total federal financial assistance under major federal financial assistance programs, Pell Grants and Title III strengthening.

I performed tests of controls, as required by OMB Circular A-133, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that I considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements and amounts claimed or used for matching that are applicable to each of the College's major federal financial assistance programs. My procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, I do not express such an opinion.

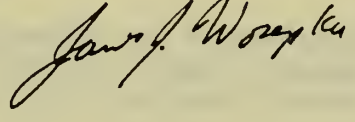
I noted certain matters involving the internal control structure and its operation that I consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to my attention relating significant deficiencies in the design or operation of the internal control structure that, in my judgement, could adversely affect the College's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial data consistent with the assertions of management in the general purpose financial statements or to administer federal financial assistance programs in accordance with applicable laws and regulations.

Miles Community College does not conduct an annual inventory of property and equipment.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited or that noncompliance with laws and regulations that would be material to a federal financial assistance program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weakness as defined above. However,I believe none of the reportable conditions described above is a material weakness.

This report is intended for the information of the management, and cognizant audit agency. This restriction is not intended to limit the distribution of this report, which is a matter of public record.



September 10, 1992
Baker, Montana

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Legislative Audit Committee
of the Montana State Legislature

I have audited the financial statements of Miles Community College, Miles City, Montana, as of and for the years ended June 30, 1991 and 1992, and have issued my report thereon dated September 10, 1992.

I conducted my audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and the provision of Office of Management and Budget Circular A-133. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to Miles Community College, is the responsibility of Miles Community College, management. As part of obtaining reasonable assurance about whether the general purpose financial statements are free of material misstatement, I performed tests of the colleges compliance with certain provisions of laws, regulations, contracts, and grants. However, my objective was not to provide an opinion on overall compliance with such provisions.

The results of my tests indicate that, with respect to the items tested, Miles Community College, complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to my attention that caused me to believe that the college had not complied, in all material respects, with those provisions.

This report is intended for the information of the legislative committee and college management. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

James J. Wosepka

September 10, 1992
Baker, Montana

LICENSED IN NORTH DAKOTA AND MONTANA

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO NONMAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAM TRANSACTIONS

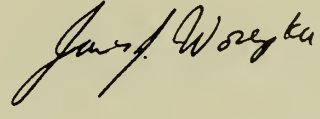
Legislative Audit Committee
of the Montana State Legislature

In connection with my audit of the June 30, 1991 and 1992 financial statements of Miles Community College, Miles City, Montana, and with my study and evaluation of Miles Community College, internal control systems used to administer federal financial assistance programs, as required by Office of Management and Budget Circular A-133. I selected certain transactions applicable to certain nonmajor federal financial assistance programs for the years ended June 30, 1991 and 1992.

As required by OMB Circular A-133, I have performed auditing procedures to test compliance with the requirements governing types of services allowed or unallowed; eligibility; and reporting that are applicable to those transactions. My procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on Miles Community College, compliance with these requirements. Accordingly, I do not express such an opinion.

With respect to the items, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the preceding paragraph. With respect to items not tested, nothing came to my attention that caused me to believe that Miles Community College, had not complied, in all material respects, with those requirements. Also, the results of my procedures did not disclose any immaterial instances of noncompliance with those requirements.

This report is intended for the information of the Legislative committee and college management. This restriction is not intended to limit the distribution of this report, which is a matter of public record.



September 10, 1992
Baker, Montana

LICENSED IN NORTH DAKOTA AND MONTANA

COLLEGE REPLY

"PATHWAY TO SUCCESS"

MILES COMMUNITY COLLEGE

2715 DICKINSON ST. MILES CITY, MT 59301 (406) 232-3031 FAX (406) 232-5705

October 13, 1992

James J. Wosepka CPA
P.O. Box 602
Baker MT 59313

RE: Agency Response to Audit Recommendations

#1. Inventory of Property, Plant and Equipment:

RESPONSE: Concur. We realize that we have neglected to resolve this recommendation in the past. It will be among our top priorities in the upcoming biennum.

#2 Delinquency Rate Exceeds 5% in NLN Program:

RESPONSE: Concur. While progress has been made, it has also been slow in coming. We are currently contacting several of the outstanding accounts in an effort to reduce our delinquency rate to a acceptable rate.

W. Wayne Muri
Business Manager
Miles Community College